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UNITED STATES DEPARTMENT OF AGRICULTURE
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THE DAIRY SUBSIDY
AS FARMERS SEE IT

An analysis of the views of farmers in the Corn Belt
and in the Great Lakes and Northeast dairy areas

BASED ON STUDIES 102 AND 106 • FOR ADMINISTRATIVE USE ONLY

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THIS REPORT is based on farmers' views of the dairy subsidy which were gathered in two surveys.

In the first of these surveys, conducted in the Corn Belt between July 15 and August 15, 1944, a cross-section of Corn Belt farmers who produce hogs, eggs, milk, or cream for market were interviewed to ascertain their views on War Food Administration programs dealing with these commodities and also with corn. Of the 300 farmers in that survey, the 213 who sell milk or cream are represented in this report.

The second survey was conducted in the dairy sections of the Great Lakes states and the Northeast (New England and the middle Atlantic states) between August 14 and September 14; a cross-section of farmers who produce eggs, milk, or cream for market were interviewed on questions relating to War Food Administration programs dealing specifically with these three commodities. The Great Lakes cross-section consisted of 295 farmers, of whom 291 sell milk or cream; the Northeast cross-section consisted of 300; of whom 245 sell milk or cream.

These surveys have been separately analyzed in reports issued in October (Study Nos. 102 and 105). The present report, which analyzes in greater detail the questions relating to the dairy subsidy, is designed to throw light on why some farmers who market milk or cream approve of the subsidy while other farmers in the same locality disapprove of it. This information should prove helpful in the future when the dairy subsidy program is being revised or when programs are being developed to deal with other agricultural commodities.

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 THE DAIRY SUBSIDY AS FARMERS SEE IT

 I. A Comparison of the Prevailing Attitudes
 in Three Milk-Producing Areas

THIS REPORT brings together certain of the data collected in two recent surveys, one in the Corn Belt and another in the Great Lakes and Northeast dairy areas.* In these three areas the major part of the nation's milk and cream is produced. But the importance to individual farmers of their dairy enterprises, even among those who operate farms classed as dairy farms, varies from region to region, increasing from west to east (see Appendix, Table 6).

The average size of the dairy herd increases as one goes from the Corn Belt through the Great Lakes states into the Northeast section of the country. At the same time, there is a corresponding increase in the extent to which farmers depend upon purchased rather than home-produced feed for their dairy herds. Great Lakes farmers are more likely to maintain their herds on purchased feed than Corn Belt farmers, and farmers in the Northeast are more dependent upon purchased feed than those in either of the other regions.

Thus, from west to east the income from dairy sales becomes increasingly important, not only from the point of view of the farmer's making a living but also for maintaining dairy production.

Farmers in the Northeast
are most discontented
with the dairy subsidy program

Disapproval of the dairy subsidy program increases as one goes from the Corn Belt through the Great Lakes dairy area into the Northeast, the region in which farmers with dairy enterprises are most dependent upon them economically.

In the Corn Belt about half the farmers with dairy enterprises approve

*What Corn Belt Farmers Think of War Food Programs, Study 102, October 2, 1944; and What Farmers in the Dairy Area Think of War Food Programs, Study 105, October 14, 1944.

of the subsidy, and a third disapprove. In the Northeast, the situation is reversed: more than half the farmers disapprove of the subsidy, while only one-fourth approve.

Attitudes Toward the Idea of Dairy Payments*

<u>Proportion of farmers who:</u>	<u>Corn Belt</u>	<u>Great Lakes</u>	<u>North- east</u>
Approve	50%	35%	23%
Approve with qualifications	3	17	16
Disapprove	37	42	55
Don't know or are uncertain	4	5	5
Attitudes not ascertained	$\frac{6}{100\%}$	$\frac{1}{100\%}$	$\frac{1}{100\%}$
N =	213	291	245

Similarly, the proportion of farmers who are dissatisfied with milk and cream prices increases from west to east.

Attitudes Toward "Present" Milk or Cream Prices**

<u>Proportion of farmers who:</u>	<u>Corn Belt</u>	<u>Great Lakes</u>	<u>North- east</u>
Think them too high	***	***	***
Think them about right	76%	58%	35%
Think them too low	21	38	63
Don't know	1	1	1
Attitudes not ascertained	$\frac{2}{100\%}$	$\frac{3}{100\%}$	$\frac{1}{100\%}$
N =	213	291	245

It should be noted that the question upon which the table is based dealt with "the present price including dairy payments," and that farmers' answers therefore probably reflect not only their opinions of the price but also their attitudes toward the subsidy. This is evidenced

*This table is based on answers to the question "What do you think of the idea of dairy payments?"

**This table is based on answers to the question "What do you think of the present milk (cream) price including dairy payments - is it about right, too high, or too low?"

***Less than one-half of one percent.

by the fact that one-third to one-half of the farmers in each area who disapprove of the dairy subsidy give as their reason that they would prefer to see the market price of milk raised (see Appendix, Table 1).

The idea that a rise in the prices consumers pay for dairy products would not be dangerous also becomes more widespread as one goes from west to east. Thus, skepticism and discontent are most pronounced among Northeastern farmers, even regarding that aspect of the dairy-subsidy program that is of interest primarily to the consumer.

Attitudes Toward Increase in Consumer Milk and Butter Prices*

<u>Proportion of farmers who:</u>	<u>Corn Belt</u>	<u>Great Lakes</u>	<u>North- east</u>
See no danger in increasing price	47%	53%	61%
See danger in increasing price	33	34	31
Don't know	5	7	3
Attitudes not ascertained	<u>10</u> 100%	<u>6</u> 100%	<u>5</u> 100%
N =	213	291	245

Associated with this more marked willingness in the Northeast to see an increase in consumer prices is a skepticism regarding the Government's purpose in creating the subsidy program. Twenty-seven percent of the Northeast farmers, as compared with about ten percent in each of the other two areas (see Appendix, Table 4), say that the program was instituted for political reasons, such as to placate labor unions or to provide jobs for the local people who distribute the subsidy checks.

Although the most widespread disapproval of the dairy subsidy exists in the Northeast, where there is the least belief that consumers need protection from rising prices, a greater proportion of the farmers in that area than in either of the other two find themselves in the position of being dependent on the subsidy payments for maintenance of milk production. Half the Northeast farmers, as compared with a little more than a quarter of those in either the Corn Belt or the Great Lakes region, say that if the payments were stopped and the market price held at the present level they would be forced to decrease production.

*This table is based on answers to the question "Would you see any danger in letting the price of milk and butter to the consumers go up?"

Farmers' Expectations Regarding Their Ability
To Maintain Milk Production if Subsidy Were Discontinued
and Market Prices Were Held Constant*

<u>Proportion of farmers who:</u>	<u>Corn Belt</u>	<u>Great Lakes</u>	<u>North- east</u>
Would not change production	65%	59%	41%
Would decrease production	28	29	50
Would increase production	**	2	2
Don't know	2	2	2
Attitudes not ascertained	<u>5</u>	<u>8</u>	<u>5</u>
	100%	100%	100%
N =	213	291	245

II. A Comparison between Farmers Who Approve and

Those Who Disapprove of the Subsidy, with Respect to

Their Attitudes on Related Questions

In the Northeast, where there is the greatest disapproval of the subsidy, there is also the most widespread dissatisfaction with prices and the most widespread skepticism regarding the need for keeping dairy prices down for consumers. Is it also true that individual farmers, irrespective of region, who disapprove of the subsidy will more often display this dissatisfaction and skepticism on the related questions than farmers who approve of the subsidy?

The question is of interest because, if dissatisfaction with prices and with the policy of protecting consumers against price rises is everywhere uniformly greater among those who disapprove of the subsidy than among those who approve, it would appear that one of the most important factors in this dissatisfaction is a lack of acceptance of the purpose or importance of the subsidy program. This being the case, such dissatisfaction could in large measure be overcome by education concerning the inflation problem and the role of the dairy subsidy in inflation control.

*This table is based on answers to the question "If they cut out these payments would you cut down on your milk production or keep it the way it is now?"

**Less than one percent.

On the other hand, if even among those who approve of the subsidy, and among those who disapprove of it, the "west-to-east" trend remains in evidence, then it would appear that at these points the task of making the program acceptable centers about regional differences in physical, economic, or social factors that must be considered in formulating programs.

The sample of farmers in each area is therefore here divided to represent three groups: those who approve of the subsidy, those who disapprove of it, and those who either gave no opinion or qualified their opinions. The responses given by the farmers in the first group to all questions related to the subsidy program are compared with the responses of the second group.

In all three areas, farmers who disapprove of the subsidy are more likely than those who approve to be dissatisfied with present dairy prices.

In each of the three areas, farmers who disapprove of the subsidy are less inclined than those who approve to feel that the price they receive for milk or cream is high enough (see Appendix, Table 2). As indicated earlier (on page 2), it is possible that in expressing their opinions of milk or cream prices farmers were also expressing their opinions of the subsidy. If this is so, further efforts to inform the farmer of the relationship between the subsidy and the market price of milk might be effective in overcoming or reducing the dissatisfaction with milk prices. But even if their answers indicate only their feelings about what they are getting for their dairy products, without regard to the fact that these returns are partly in the form of subsidy payments, educational campaigns explaining the reasons why milk prices are not permitted to go higher could undoubtedly accomplish much toward reducing dissatisfaction among these farmers.

But in the Northeast there is considerable dissatisfaction with milk prices even among those who approve of the subsidy idea

At the same time, there is much more pronounced dissatisfaction with price in the Northeast even among those who say they approve of the subsidy than in the approving groups in the other two regions, and more such dissatisfaction among subsidy-approvers in the Great Lakes area than in the comparable Corn Belt group. This west-to-east trend is equally marked among those who disapprove of the subsidy. Thus:

Among those who approve
of the subsidy:

14% in the Corn Belt
25% in the Great Lakes area
51% in the Northeast

Among those who disapprove
of the subsidy:

33% in the Corn Belt
46% in the Great Lakes area
68% in the Northeast

are dissatisfied with prices.

are dissatisfied with prices.

These regional differences are probably the direct result of farmers' increasing dependence, from west to east, upon income from dairy sales. Such a factor probably cannot be counteracted solely by educational efforts. Instead, it must be taken into consideration in program planning.

Comparing approvers and disapprovers of the subsidy idea on their attitudes toward the dangers of a price increase reveals no regional differences

In each of the areas, a significant majority of the farmers who disapprove of the subsidy indicate that so far as they can see there would be no ill effects if the consumer price of dairy products were permitted to rise. In every area, the farmers who approve of the subsidy are somewhat less likely to take this position.

The west-to-east trend that appears among both the subsidy-approvers and the subsidy-disapprovers when they indicate their attitudes toward present dairy prices does not appear when they discuss the dangers of a price increase. In every area about three-fifths of those who disapprove of the subsidy, as compared with about two-fifths of those who approve, say they see no danger in a price increase (see Appendix, Table 3).

Since this difference between disapprovers and approvers is fairly uniform in the three areas, it appears that the main task is an educational one. This conclusion is further borne out by the fact that in every area about a third of the farmers who acknowledge that it would be dangerous to let dairy prices rise see only the danger to their markets - that is, they are afraid that a price rise might result in decreasing the demand for dairy products.

Most of the farmers who say they see no danger in permitting dairy prices to rise argue that consumers can afford higher prices. A need is thus revealed for informational campaigns stressing that the economy of the nation cannot afford to have consumers paying higher prices.

"Disapprovers" in the Northeast are more likely than disapprovers in the other two areas to charge that the subsidy is a political scheme

When discussing the purposes of the dairy subsidy program, a larger proportion of the farmers who approve of it than of those who disapprove mention that it was begun as an aid in keeping consumer prices down. The proportions of each group who name this purpose are fairly uniform for all three areas.

Other purposes frequently mentioned are the maintenance or increase of milk production, and helping the farmer. Farmers who disapprove of the subsidy are about as likely as those who approve to be aware of these purposes, and there are no significant regional differences in the frequency with which they are mentioned.

In all three areas, only a very small proportion of those who approve of the subsidy make the statement that it is a "political" measure, whereas an appreciable proportion of those who disapprove of it make this charge. It is notable, however, that those in the Corn Belt and the Great Lakes region who disapprove of the subsidy are less likely to make the charge than are the disapprovers in the Northeast.

Of those who disapprove of the subsidy,

25 percent in the Corn Belt,
20 percent in the Great Lakes region, and
40 percent in the Northeast

regard the subsidy as a political scheme designed to get votes or create government jobs.

Again, the need for an informational campaign appears, to acquaint farmers more thoroughly with the anti-inflationary purposes of the dairy subsidy program. Since farmers in the Northeast are evidently more subject than those in the other two areas to influences that tend to create negative attitudes toward such a program as the dairy subsidy, these influences may have to be considered in planning such campaigns.

Northeast farmers who disapprove of the subsidy are the likeliest of all groups to say they would cut production if the subsidy were discontinued and dairy prices held at present levels

During the survey, the farmers were asked, "If they cut out these (dairy subsidy) payments and kept the market price the same, would you cut down on your milk production or keep it the way it is now?"

As reported on page 4, half the farmers in the Northeast, as compared with a little more than a quarter in each of the other two areas, said that in these circumstances they would have to reduce production. When we compare the answers of those in each area who approve of the subsidy with the answers of those who disapprove, we find that in the Great Lakes and in the Corn Belt there is no significant difference in how the approvers and the disapprovers divide on this question (see Appendix, Table 5).

In the Northeast, however, while those who approve of the subsidy divide fairly evenly on whether or not they would reduce production if the subsidy payments were eliminated and the market price left unchanged, most of those who disapprove of the subsidy idea say they would decrease production in these circumstances.

On this question, the west-to-east trend appears among those who disapprove of the subsidy.

Of those who disapprove of the subsidy,

71 percent in the Corn Belt, and
59 percent in the Great Lakes region, but only
36 percent in the Northeast

say they would not change production if the subsidy were discontinued and the market price were held constant.

This reflects the greater dependence of Northeast farmers upon dairy income and upon purchased feed for the maintenance of dairy production. Whereas they do not like the subsidy, because they feel it holds down their income, they feel that without it and without a price rise they could not afford to feed their cows. Again, this is evidence of a regional economic factor that requires consideration in program planning.

APPENDIX

Table 1. Farmers' attitudes toward the idea of dairy payments*

	Corn Belt	Great Lakes	North-east
<u>Approve of the idea of dairy payments</u>	50%	35%	23%
No reason given	14%**	7%**	7%**
Helps farmers (by paying for feed)	35	26	15
Helps consumers	4	1	3
Increases production	2	2	2
<u>Approve with qualifications</u>	3	17	16
<u>Disapprove</u>	37	42	55
No reason given	3	3	2
Would be better to increase price	13	20	31
Will increase taxes	16	19	26
Too much bother or red tape	7	3	5
Political measure	2	3	4
Miscellaneous reasons***	4	8	12
Don't know	4	5	5
Not ascertained	6	1	1
	100%	100%	100%
N=	213	291	245

*This table is based on answers to the question "What do you think of the idea of dairy payments?"

**Percentages in these columns add to more than the subtotals because some farmers gave more than one reason for their attitudes.

***Including "Price is good enough without subsidy", "Middleman's profits should be cut instead", "Too much like relief", and "Helps big farmers more than small ones."

Table 2. Farmer's satisfaction with milk (or cream) price
 (including the dairy subsidy) related to their
 attitudes toward the dairy subsidy

Farmer's opinion of price	Attitude toward subsidy**		
	All farmers	Approve	Disapprove
<u>Corn Belt</u>			
Too high	***	1%	0%
About right	78%	84	82
Too low	21	14	33
Don't know	1	1	2
Not ascertained	2	2	3
	<u>100%</u>	<u>100%</u>	<u>100%</u>
N=	213	106	79
<u>Great Lakes</u>			
Too high	***	0%	1%
About right	83%	74	48
Too low	33	25	46
Don't know	2	2	2
Not ascertained	3	1	3
	<u>100%</u>	<u>100%</u>	<u>100%</u>
N=	291	102	123
<u>Northeast</u>			
Too high	***	0%	1%
About right	88%	45	29
Too low	6%	51	68
Don't know	1	2	1
Not ascertained	1	2	1
	<u>100%</u>	<u>100%</u>	<u>100%</u>
N=	145	55	135

***Based on answers to the question "What do you think of the present milk (cream) price including dairy payments - is it about right, too high, or too low?"

**Based on answers to the question "What do you think of the idea of dairy payments?"

***Less than one-half of one percent.

Table 3. Farmers' attitudes toward a rise in the consumer price of milk and butter related to their attitudes toward the dairy subsidy

Attitude toward price rise*	Attitude toward subsidy**		
	All farmers	Approve	Disapprove
<u>Corn Belt</u>			
See no danger	47%	39%	60%
See danger	38	45	29
Don't know	5	8	1
Not ascertained	10	8	10
	<u>100%</u>	<u>100%</u>	<u>100%</u>
N=	213	106	79
<u>Great Lakes</u>			
See no danger	53%	40%	65%
See danger	34	43	30
Don't know	7	12	2
Not ascertained	6	5	3
	<u>100%</u>	<u>100%</u>	<u>100%</u>
N=	291	102	123
<u>Northeast</u>			
See no danger	61%	45%	70%
See danger	31	49	24
Don't know	3	2	3
Not ascertained	5	4	3
	<u>100%</u>	<u>100%</u>	<u>100%</u>
N=	245	55	135

*Based on answers to the question "Would you see any danger in letting the price of milk and butter to the consumers go up?"

**Based on answers to the question "What do you think of the idea of dairy payments?"

Table 4. Farmers' knowledge of the purposes of the dairy subsidy related to their attitudes toward it

		Attitude	
	All	toward subsidy**	
Purpose of subsidy*	farmers	Approve	Disapprove
<u>Corn Belt</u>			
To keep consumer prices down - inflation prevention	44%***	57%***	34%***
To maintain or increase production	21	24	15
To help farmers (to pay for feed)	15	18	9
Political	11	2	25
Don't know	21	25	16
Not ascertained	6	1	10
	N= 213	106	79
<u>Great Lakes</u>			
To keep consumer prices down - inflation prevention	38%***	46%***	32%***
To maintain or increase production	18	26	15
To help farmers (to pay for feed)	18	25	12
Political	10	2	20
Don't know	27	22	27
Not ascertained	4	4	5
	N= 291	102	123
<u>Northeast</u>			
To keep consumer prices down - inflation prevention	42%***	56%***	40%***
To maintain or increase production	13	18	9
To help farmers (to pay for feed)	11	20	6
Political	27	4	40
Don't know	14	13	10
Not ascertained	6	4	6
	N= 245	55	135

*Based on answers to the question "Why do you think the Government is making these payments instead of letting the farm price go up?"

**Based on answers to the question "What do you think of the idea of dairy payments?"

***Percentages add to more than 100 because some farmers gave more than one purpose for the subsidy program.

Table 5. Farmers' expectations about their ability to maintain present level of milk production if subsidy were discontinued and prices were held constant, related to their attitudes toward the subsidy

If subsidy were discontinued and price kept the same:*	Attitude toward subsidy**	
	All farmers	Disapprove

Corn Belt

Would not change production	65%	60%	71%
Would decrease production	28	35	23
Would increase production	***	0	0
Don't know	2	2	4
Not ascertained	5	3	2
	100%	100%	100%
N=	213	106	79

Great Lakes

Would not change production	59%	57%	59%
Would decrease production	29	37	25
Would increase production	2	1	3
Don't know	2	2	1
Not ascertained	8	3	12
	100%	100%	100%
N=	291	102	123

Northeast

Would not change production	41%	52%	36%
Would decrease production	50	44	53
Would increase production	2	2	3
Don't know	2	2	2
Not ascertained	5	0	6
	100%	100%	100%
N=	245	55	135

*Based on answers to question "If they cut out these payments and kept the market price the same, would you cut down on your milk production or keep it the way it is now?"

**Based on answers to question "What do you think of the idea of dairy payments?"

***Less than one percent.

Table 6. The importance of farmers' dairy enterprise related to their attitudes toward the dairy subsidy

	All farmers	Attitude toward subsidy	Approve	Disapprove
<u>Major source of income</u>				
<u>Corn Belt</u>				
Dairy	26%	28%	27%	
Dairy and other	4	5	3	
Other	68	64	69	
Not ascertained	2	3	1	
	100%	100%	100%	
Number of cows milked (yesterday)	8.5	8.5	8.4	
N=	213	106	79	
<u>Great Lakes</u>				
Dairy	77%	80%	77%	
Dairy and other	7	9	7	
Other	14	10	15	
Not ascertained	2	1	1	
	100%	100%	100%	
Number of cows milked (yesterday)	11.2	11.5	10.8	
N=	291	102	123	
<u>Northeast</u>				
Dairy	88%	97%	87%	
Dairy and other	4	-	6	
Other	6	11	4	
Not ascertained	2	2	3	
	100%	100%	100%	
Number of cows milked (yesterday)	16.3	16.4	16.9	
N=	245	55	135	